

SENATE FINANCE COMMITTEE  
THIRD SPECIAL SESSION  
August 17, 2021  
9:04 a.m.

[9:04:13 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Lyman Hoffman  
Senator Donny Olson  
Senator Natasha von Imhof  
Senator Bill Wielechowski (via teleconference)  
Senator David Wilson (via teleconference)

MEMBERS ABSENT

None

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division

SUMMARY

^UPDATE ON FISCAL SUMMARY and GOVERNOR'S VETOES

[9:06:48 AM](#)

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, discussed the presentation, "Update on Fiscal Summary and Governor's Vetoes" (copy on file). He looked at slide 2, "UGF Short Fiscal Summary - FY21/FY22 Budget." He pointed out the details and differences between the FY 21 and FY 22 budgets.

[9:10:12 AM](#)

Senator von Imhof surmised that the enacted budget of FY 22 included the reverse sweep funds, the vetoes, and the CBR vote.

Mr. Painter agreed, and explained that the funds would remain in the budget with or without the reverse sweep of the CBR.

Senator von Imhof wondered whether any of the items associated with the reverse sweep, except for the Power Cost Equalization (PCE) funds, were

[9:11:13 AM](#)

Mr. Painter replied that there were a couple of funds that had no funds available without the reverse sweep, such as the Higher Education Fund. He stated that there were other items where the sweepable balance was only a portion of what was needed to fund the item, such as Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI).

Senator Olson asked what hope could be given to medical students.

Mr. Painter replied that there was currently a surplus, so with a simple majority the legislature could fund those items.

Senator Olson queried the likelihood of that occurrence.

Mr. Painter replied that the legislative session was limited to the items on the call. He remarked that the legislature could not address the items in the current special session.

Co-Chair Stedman remarked that, in the event of having that ability, there would need to be an agreement by the two bodies and the governor for enactment.

Co-Chair Stedman surmised that there was \$536 million in appropriate-able cash.

Mr. Painter replied in the affirmative, based on the spring forecast. He noted that recent oil prices had been higher than the spring forecast.

Co-Chair Stedman wondered whether there would be a presentation of the enacted budget in the event that the funds were swept and not swept.

Mr. Painter replied that the upcoming two slides would address fund balances.

[9:16:07 AM](#)

Mr. Painter highlighted slide 3, "Projected FY 22 Fund Balances - With Reverse Sweep." He noted that there was an anticipation that with the reverse sweep, FY 21 would end with \$415.7 million in the CBR. He noted the post-transfer surplus of \$1 billion at the end of the year. He remarked that the CBR balance may seem low, because of the structure of the budget that drew an estimate of \$410 million into the Statutory Budget Reserve (SBR). He remarked that the amount would fund \$80.7 million appropriations because the governor vetoed \$330 million of SBR appropriations.

Co-Chair Stedman remarked that, under the current structure, the beginning balance will be zero. He explained that he would address the balances.

Senator Olson queried the reason for the reverse sweep.

Co-Chair Stedman asked for constitutional implications of owing a debt to the CBR.

Mr. Painter replied that in the constitutional amendment that created the CBR, there was a section stating that when funds were drawn from reserves that created a debt.

Co-Chair Stedman shared that the legislature, and more specifically, the Senate Finance Committee examines all the state's accounts and attempt to keep those fund balances at a high level.

[9:20:50 AM](#)

Senator Wilson queried the impact of the recent court case.

Mr. Painter replied that he could not provide a legal interpretation, but stated that the community assistance fund was not sweepable because it went out without further appropriation. He explained that the remaining funds were typically considered sweepable, although PCE was no longer

sweepable. He shared that any other funds could be reclassified based on the court decision, but was up to the administration to make that determination. He stated that it could impact the SBR and the Alaska Housing Capital Corporation.

Co-Chair Stedman explained that there had been reviews over the years about the sweepable funds, OMB had worked with the legislature to determine an agreed list of sweepable funds.

Senator Wilson wondered whether LFD had worked with OMB or with the administration to examine the funds and the determinations of the sweepable funds.

Mr. Painter replied that he had not discussed it with OMB, but LFD had discussions with Legislative Legal.

Mr. Painter looked at slide 4, "Projected FY 22 Fund Balances - Without Reverse Sweep."

[9:25:37 AM](#)

Co-Chair Stedman queried the mechanics of moving the funds around in order to not have a negative balance.

Mr. Painter replied that, generally, the administration restricted funds.

Co-Chair Stedman surmised that there would either be a supplemental request or an appropriation bill to fix the negative balance.

Mr. Painter replied in the affirmative.

Senator von Imhof remarked that the governor had the reverse sweep in the original budget, and it was carried through session. She recalled that the administration had advocated for funding of the programs. She felt that it was an odd change.

Co-Chair Stedman agreed.

Mr. Painter addressed slide 5, "Summary of Governor's Vetoes." He outlined the details of the governor's vetoes reflected within the slide.

Senator von Imhof queried the mechanics of vetoing federal funds, and wondered whether they were treated as general funds.

9:30:11 AM

Co-Chair Stedman replied that it meant the state would not receive the federal funds.

Senator von Imhof noted that there was \$220 million in federal funds under the capital projects, which the state could use to enhance the economy.

Mr. Painter replied that there was a slide related to that query. He noted that there were allocations specifically for federal highway funding that was vetoed for contingency, but there was still enough federal authority for the projects with reduced flexibility from the departments in applying the funding.

Senator von Imhof pointed out the issue of reducing flexibility in an already stressed economy.

Co-Chair Bishop asked for more detail on the third bullet of the slide.

Mr. Painter replied that they were items where the governor had proposed a budget reduction below the year prior. He stated that the legislation did not reach that reduction, so the governor vetoed items in order to match the amount in his original budget.

Co-Chair Bishop wondered whether it included the legislature's rejection of use of bond money to replace UGF.

Mr. Painter replied that most of the governor's vetoes within UGF were different.

Co-Chair Bishop stressed that the legislature was attempting to not use bonds to fund the budget.

Co-Chair Stedman agreed.

Senator Olson wondered whether the state could still receive federal funds within a supplemental budget passed the deadline.

Mr. Painter replied that there was still some use of the funds through the Legislative Budget and Audit (LB and A) process, but should not see an overall reduction.

[9:36:22 AM](#)

Senator Olson asked how the airports were impacted by the federal fund veto.

Mr. Painter replied that the airports were not affected by the veto.

Co-Chair Bishop stressed that the roads to the airports were affected by the veto.

[9:36:57 AM](#)

Mr. Painter addressed slide 6, which showed the vetoes of legislative additions, which were funded as an increase over something in a previous year's budget.

Co-Chair Stedman explained that there was the submitted budget and the enacted budget. He wondered whether the change was in the submitted budget or the enacted budget.

Mr. Painter replied that the slide was based on the enacted budget from the previous year. He further explained the changes in the slide.

[9:40:05 AM](#)

Senator von Imhof wondered whether the administration fully grasped the issue of access to behavioral and mental health support in the state. She felt that the shortsightedness of the administration was disappointing.

Mr. Painter looked at slide 7, "Partial Vetoes of Legislative Additions." He addressed each issue.

Senator Wilson wondered what happened to the \$3 million funding after the end of the year.

Mr. Painter replied that the state had until the end of either 2023 or 2024 to expend those funds.

Co-Chair Stedman explained that there would be a breakdown of funds from Covid-related federal programs in the upcoming regular session.

[9:45:58 AM](#)

Mr. Painter looked at slide 8, "Vetoed to Match Governor's Proposed Reductions." He explained that the reductions were compared to the FY 21, or compared to the statutory amount.

Senator von Imhof wondered whether the \$10 million veto to tourism was reflected in the slide.

Mr. Painter replied that it was a capital item, so it would be addressed in an upcoming slide.

Co-Chair Stedman recalled that the subcommittee recommended the number for Medicaid because there was no belief in the reduction materializing, in order to avoid a supplemental budget.

Senator von Imhof agreed, and remarked that there were constant federal changes to the Medicaid funding.

Senator Olson asked for more explanation of the Regional Educational Attendance Area (REAA) school fund.

Co-Chair Stedman asked for an explanation of REAA and its link to the Base Student Allocation (BSA).

[9:50:03 AM](#)

Mr. Painter replied that the REAA fund was intended to use in the unorganized boroughs that were without local tax bases. He stated that the Department of Education and Early Development (DEED) ranked projects from those communities, and then applied the funds to the top scoring projects. He stated that the statutory amount was determined as a percentage of the amount of school debt reimbursement that went to urban districts.

Senator Olson commented that he was concerned that the governor had vetoed those funds for rural schools.

Mr. Painter addressed slide 9, "Other Operating Vetoes." He explained the vetoes outlined in the slide.

Co-Chair Stedman explained that the items may be addressed in the supplemental budget in the upcoming regular session.

Senator Olson wondered whether the other two branches of government affected by the per diem veto.

Mr. Painter replied that they were not.

Senator von Imhof stressed that the executive branch did receive per diem.

Mr. Painter agreed, but remarked that there was a slightly different system than the legislature.

Senator von Imhof stressed that there was not a veto of the executive branch per diem funds.

Mr. Painter agreed.

[9:55:09 AM](#)

Co-Chair Stedman stressed that the governor also received per diem, and stated that there would be an outline of the flow of funds.

Co-Chair Bishop wondered whether there had ever been a veto of the legislature's per diem.

Mr. Painter replied that he did not recall that ever happening.

Co-Chair Bishop wondered whether the legislature had cut the administration's per diem.

Mr. Painter replied that he did not recall that ever happening.

Co-Chair Bishop reiterated that the administration staff did receive per diem, and there were separate rates dependent on residency.

Co-Chair Stedman stressed that the veto was punitive, because the governor was not receiving political support from the legislature for his agenda.



10:02:35 AM

Senator Wilson queried the year and time that the veto took effect.

Mr. Painter replied that the amount was roughly what was needed for the 120-day legislature. The effect would be dependent on the management for the current fiscal year.

Co-Chair Stedman stressed that the committee had the ability to address that budget before the 120 days.

10:05:40 AM

Senator Wilson queried the timeframe to determine an amount based on historic PFD payment deadlines.

Mr. Painter replied that DOR needed about one month for a payout, so there needed an amount determined by the beginning of September.

Mr. Painter addressed slide 10, "Capital Project Vetoes."

10:11:09 AM

Co-Chair Bishop stressed that no flexibility would result in stalling of projects and less of a benefit to the growth of Alaska's economy.

Senator von Imhof stressed that vetoing \$10 million dollars was a "big deal." She understood that the governor had a press conference promoting tourism, and used Covid relief funds for tourism marketing. She remarked that the \$10 million was for the upcoming year, so Alaska Travel Industry Association (ATIA) had no money for the first time. She felt that it was counter to what the governor was promoting about Alaska's economy.

Co-Chair Stedman wondered whether the funds were sourced from the American Recovery Plan.

Mr. Painter replied that the fund source was the SBR.

Co-Chair Stedman remarked that the SBR should be swept.

10:16:14 AM

Senator Wielechowski wondered what happened to the funds when a designated fund received a veto.

Mr. Painter stated that it depended on the fund. Sometimes an actual fund source stayed in the fund, others were lapsed to the general fund.

Mr. Painter covered the final projects outlined in the slide.

Co-Chair Bishop stressed that the items were from the University's ranking list.

Co-Chair Stedman explained that the legislature used many different lists to determine the funding of the projects.

Co-Chair Stedman discussed housekeeping.

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ADJOURNMENT

[10:20:47 AM](#)

The meeting was adjourned at 10:20 a.m.